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Opportunities for cost savings and efficiencies in joint implementation, learning from experience with the clean development mechanism while recognizing the respective mandates of the two mechanisms

Technical paper

Summary

This document provides a technical analysis by the secretariat, in accordance with the mandate in decision 5/CMP.10, on the opportunities for cost savings and efficiencies for joint implementation, learning from the experiences of the clean development mechanism, while recognizing the respective mandates of the two mechanisms. The document compares the functions of the two crediting mechanisms to identify potential areas of synergy and associated cost savings for joint implementation, and examines approaches to increase the efficiency of joint implementation, particularly with regard to ensuring its environmental efficiency, drawing on recent developments in the clean development mechanism.

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I. Introduction

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by decision 9/CMP.1, adopted the guidelines for the implementation of Article 6 of the Kyoto Protocol (the joint implementation (JI) guidelines). By the same decision, the CMP decided that the first review of the guidelines should be carried out no later than one year after the end of the first commitment period, based on recommendations by the Joint Implementation Supervisory Committee (JISC) and the Subsidiary Body for Implementation (SBI) drawing on technical advice of the Subsidiary Body for Scientific and Technological Advice, as needed. SBI 39 initiated the review of the JI guidelines and Parties have continued considering this matter since that time. At SBI 42, Parties will continue negotiating this matter on the basis of the draft decision text and its appendix proposed by the co-facilitators of the informal consultations as contained in the annex to document FCCC/SBI/2014/L.34.

2. At CMP 10, through its decision 5/CMP.10, Parties requested the secretariat to prepare a technical paper, by SBI 42, on the opportunities for cost savings and efficiencies for JI, learning from the experiences of the clean development mechanism (CDM), while recognizing the respective mandates of the two mechanisms.

B. Scope of the document

3. Following the mandate from CMP 10 referred to in paragraph 2 above, this document presents an analysis by the secretariat of the opportunities for cost savings and efficiencies for JI, learning from the experiences of the CDM, while recognizing the respective mandates of the two mechanisms. The document has two main parts covering:

(a) A comparison of the functions of the two crediting mechanisms of the Kyoto Protocol in order to identify potential areas of synergy and associated cost savings for joint implementation;

(b) Approaches to increase the efficiency of joint implementation, particularly with regard to increasing its environmental efficiency, drawing on recent developments in the CDM.

C. Possible action by the Subsidiary Body for Implementation

4. In accordance with decision 5/CMP.10, Parties may wish to take into consideration the analysis contained in this technical paper in their deliberations at SBI 42 under agenda sub-item 5(b), "Review of the joint implementation guidelines".

II. Comparison of the functions of the mechanisms of the Kyoto Protocol

A. Objectives and purposes of the mechanisms

5. The Kyoto Protocol established two emission reduction crediting mechanisms in order to assist Parties to meet the objective of the Kyoto Protocol and the overall objective of the Convention: JI and the CDM, in Articles 6 and 12, respectively.

6. JI was designed to provide a common basis by which Parties with quantified emission limitation and reduction targets could collaborate in the mitigation of climate change. Specifically, this approach enables Parties included in Annex I to the Convention (Annex I Parties), or legal entities authorized by them, to support activities that reduce emissions in other Annex I Parties and apply these reductions towards meeting their own targets. This allows for greater cost-effectiveness in the overall mitigation actions taken by these Parties to meet their emission targets under the Kyoto Protocol.

7. The purpose of CDM was twofold: (a) to assist Parties not included in Annex I to the Convention (non-Annex I Parties) to achieve sustainable development and thus contribute to the ultimate objective of the Convention, and (b) to assist Annex I Parties in achieving compliance with their quantified emission limitation and reduction commitments by allowing them to use credits for the emission reductions achieved in non-Annex I Parties.

8. The approach taken by both JI and the CDM was modelled on the baseline-and-crediting system. Credits, emission reduction units (ERUs) for JI and certified emissions reductions (CERs) for the CDM, are issued on the basis of the undertaking of an activity that changes the level of emission to below a counterfactual emission level in the absence of the activity (also known as a baseline level). Much of the challenge in effectively implementing a baseline-and-crediting system lies in establishing the credibility of such baselines in a manner that allows them to be accepted internationally.

9. Many types of emission reduction activities are represented across both mechanisms with a significant number of them using identical or similar methodologies for the measurement and quantification of the resultant emission reductions. This is one of the areas for which the potential for synergies between the mechanisms and associated cost savings has already been implemented and for which the possibility of greater synergy has been identified.[1]

B. Governance and processes of the mechanisms

10. Under the current guidelines, JI is divided into two 'tracks', commonly known as 'JI Track 1' and 'JI Track 2'. JI Track 1 represents the basic model as originally envisaged for JI during the preparation of the JI guidelines, whereby the host Parties assume responsibility for the approval of projects, the verification of the resulting emission reduction and removals, and the 'issuance' of ERUs by converting them from existing units held by the Parties.

11. JI Track 2 was originally conceived as a system of international oversight for projects hosted by Annex I Parties that had not yet met all the eligibility requirements for JI. It sets out a verification procedure for JI projects under the JISC. Once emission

[1] FCCC/SBI/2015/5, paragraphs 15–19.

reductions and removals are deemed final under JI Track 2, ERUs may be issued, again from existing units of the host Party, and transferred by the host Party if its assigned amount has been calculated and recorded and if it has a national registry in operation.

12. The modalities and procedures of the CDM allow for only a single 'track' that is supervised by the Executive Board of the clean development mechanism (CDM EB) and under the authority and guidance of the CMP. The CDM operates in an environment not covered by any quantified emission limitation and reduction commitment, and the issuance of CERs represents the creation of new compliance units that do not come from a host Party's emissions budget. This is a distinguishing feature of the CDM as compared to JI.

13. As can be seen from the table below, the governance of the regulatory cycle for activities under JI and the CDM follow essentially similar paths, with the exception of some aspects of the cycle for the current JI Track 1. However, the table also includes a regulatory cycle for the proposed JI single track that is drawn for the current negotiation text for the revision of the JI guidelines, which shows a convergence towards similar regulatory cycles across both mechanisms. This is possibly due to the essentially similar nature of the activities that both mechanisms attract.[2]

Comparison of project milestones across joint implementation and the clean development mechanism

Milestones	*JI Track 1*	*JI Track 2*	*JI single track (proposed)*	*CDM*
Step 1	PDD development (Project participant)	PDD development (Project participant)	PDD development (Project participant)	PDD development (Project participant)
Step 2	Approval (DFP)	Approval (DFP)	Approval (DFP)	Approval (DNA)
Step 3	Publication (UNFCCC secretariat)	Determination of PDD (AIE)	Validation (AIE)	Validation (DOE)
Step 4[a]		Determination (JISC)	Registration (JISC)	Registration (CDM EB)
Step 5[a]		Monitoring (Project participant)	Monitoring (Project participant)	Monitoring (Project participant)
Step 6[a]		Determination of ERUs (AIE)	Verification (AIE)	Verification and certification (DOE)
Step 7	ERU issuance (Party)	ERU issuance (Party)	ERU issuance (Party after endorsement by the JISC)	CER issuance (CDM EB)

Abbreviations: AIE = accredited independent entity, CDM = clean development mechanism, CDM EB = Executive Board of the clean development mechanism, CER = certified emission reductions, DFP = designated focal point, DNA = designated national authority, DOE = designated operational entity, ERUs = emission reduction units, JI = joint implementation, JISC = Joint Implementation Supervisory Committee, PDD = project design document.

[a] For these steps, Parties follow equivalent but varied processes.

14. Many of the actions being undertaken in regulatory cycles as well as the information that is being assessed are similar. It could be expected that greater convergence of the process offers the potential for synergies between the mechanisms and associated cost

[2] This can also be observed in the similar regulatory cycles that have been developed for other baseline-and-crediting systems developed domestically by Parties or for the voluntary carbon market.

savings, particularly for project participants that operate the same type of activity at different locations under both mechanisms.

15. However, it is worth clarifying that applying more lessons learned from the CDM to JI would not alter the need for the current differences in accounting for ERUs and CERs, whereby ERUs are issued by converting an existing unit of the host Party and CERs are issued through the creation of a new unit. This is because these differences are necessitated by differences in accounting for those Parties with quantitative emission limitations and those without, and are not necessitated by the specifics of JI or the CDM as mechanisms.

III. Approaches to increase the efficiency of joint implementation

A. International oversight

16. In the context of the carbon crediting mechanisms, international oversight requires a body constituted under the Convention to supervise the approval process of mitigation projects. Such a body, supervising a mechanism in an objective manner on behalf of the Parties to the Convention, can have a substantial impact on the way in which the mechanism is perceived.

17. Under JI Track 1, projects are approved and ERUs issued by the host Party without international oversight. Whereas under JI Track 2, projects are supervised by the JISC in order to ensure the environmental integrity of JI projects and ERU issuance. As an oversight body, the JISC can request a review of the determination of a JI project or of the verification of emission reductions thus adding an extra layer of international scrutiny.

18. Historically, both JI and the CDM have involved undertaking activities with significant investment, and the issuing of credits with substantial value. In this context, it is almost inevitable that host governments will, at times, be perceived as having a conflict of interest. In the light of this, concerns have been raised, primarily directed at JI Track 1, about host Parties prioritizing credit maximization at the expense of environmental integrity in the absence of international oversight.

19. The CDM has addressed this potential for a conflict of interest in host Parties by granting the CDM EB a high degree of oversight of the system. It has authority over the assessment and registration of activities as well as the requirements for measuring, reporting and verifying the resulting emission reductions. However, this greater level of environmental efficiency in establishing the emission reductions is achieved at the price of increased transaction costs for the system as a whole.

20. The need for greater international oversight for JI compared to the current level is reflected in the current draft of the revised JI guidelines[3] that outlines a single track for JI under the supervision of the JISC. Based on the experiences of the CDM, such greater international oversight is expected to yield greater environmental efficiency in establishing the emission reductions that would benefit the credibility of the system as a whole.

B. Transparency

21. In the context of carbon crediting mechanisms, transparency means the extent to which information regarding an emission reduction activity is disclosed to the public. This disclosure extends to explaining the assumptions and methodologies applied in establishing

[3] As contained in the appendix to the annex to FCCC/SBI/2014/L.34.

the emission reduction achieved by the activity clearly and in such a manner that they can be independently replicated.

22. The national processes under JI Track 1 vary in the transparency of their procedures and decision-making, and are frequently subject to calls for increased transparency. Whereas the transparency of JI Track 2 is relatively high due to the international scrutiny provided by the JISC.

23. Under the CDM, all information regarding an activity that is seeking registration must be publically available beginning with the submission of evidence of prior consideration by the CDM and including the publication of the project design document for global stakeholder consultations. The process also includes a requirement for local stakeholder consultations. Once registered, the monitoring report for an activity seeking to claim CERs must be published along with the final verification of emission reductions and all underlying data supporting such reductions. This provides the CDM with higher levels of transparency and the implementation of such a provision in JI may enhance the transparency of its decision-making.

24. This is reflected in the current draft of the revised JI guidelines which includes minimum requirements in order to facilitate the development of project cycle procedures by host Parties. These requirements ensure provisions in relation to the transparency of decision-making processes, local stakeholder consultation and rights for directly affected entities to hearings prior to decision-making, timely decisions and appeals of decisions. The adoption of such procedures may lead to greater environmental efficiency through greater credibility of the system as a whole.

C. Environmental integrity

25. The concept of environmental integrity in the context of carbon crediting mechanisms, such as JI and the CDM, pertains to ensuring the additionality of the emission reductions and safeguarding real, permanent, measurable and verifiable mitigation outcomes.

26. JI activities are undertaken within a quantified emission limitation and reduction commitment which means that, in effect, JI activities redistribute mitigation effort among Annex I Parties without impacting the overall magnitude of the mitigation undertaken. A reduction or removal of emissions in the host Party is compensated for by the transfer of the assigned amount, in the form of ERUs, to the investing Party. As a result, although the additionality of emission reductions and removals remains a core requirement of JI projects, JI is not contributing to an increase in the overall level of emissions allowed from Annex I Parties as a whole. However, a risk remains that, if a host Party were to have a significant surplus of assigned amount units, it is possible that ERUs generated by a non-additional and/or over-credited JI activity might not, in practice, represent a real mitigation outcome in the host Party, thus potentially reducing the environmental efficiency of the system as a whole.

27. The issue of environmental integrity of JI Track 2 is addressed by the requirements of paragraph 33(a–d) of the current JI guidelines.[4] These stipulate that activities are additional if emission reductions and removals are beyond that which would otherwise occur. Activities are also required to have an appropriate baseline and monitoring plan in accordance with defined criteria. Under the JI Track 1 procedure, issues such as additionality testing, and baseline and monitoring methodologies are at the discretion of the

[4] As contained in the annex to decision 9/CMP.1.

host Party, can differ substantially, leading to a wide degree of difference among Parties, and are not subject to international oversight.

28. Under the CDM, a methodological framework, comprising more than 200 baseline and monitoring methodologies and tools, has been developed though a rigorous process of international assessment and consideration by regulatory bodies and global stakeholders. This framework includes a stringent and internationally recognized additionality demonstration. The use of CDM methodologies and tools within JI will ensure consistency, comparability and robustness in applying credible baseline and monitoring methodologies, which would ensure increased environmental integrity and efficiency. In addition, the application of CDM additionality demonstration requirements will ensure that the same level of stringency is complied with across different types of activities and Parties.

29. This has been reflected in the current draft of the revised JI guidelines where it is proposed that the JISC shall set minimum technical requirements for JI activities utilizing UNFCCC-approved methodologies, such as those from the CDM, in order to ensure the additionality of the emission reductions, consistency of their measurements and quality assurance.

D. Standardization

30. Standardization in the context of offset mechanisms refers to shifting from project-by-project baseline setting and additionality demonstration towards baseline setting and additionality demonstration for a country/region/sector/group of mitigation actions. Under both JI and the CDM, the process of baseline setting and additionality demonstration has been perceived as complex and time-consuming thereby limiting participation. Standardizing project parameters in an objective manner across many activities, instead of calculating them for each activity individually, can significantly simplify their implementation, reduce transaction costs, enhance transparency, and facilitate objectivity and predictability. Standardization can be achieved through various means, including emission intensity benchmarks,[5] default values,[6] positive lists of activities that are considered automatically additional[7] and barrier tests.[8]

31. Under the CDM, it has been recognized that greater standardization represents an opportunity to improve the efficiency of the CDM and increase its uptake. Specifically, increased participation in the mechanism can be achieved by removing methodological barriers and shifting the cost of methodology development and data collection from individual participants to a centralized coordinating body.

32. Given the fact that valuable experience has been gained under the CDM with standardization approaches, it would be efficient and cost-effective to transfer the lessons learned and progress made with standardization to the JI process. In addition, the level of

[5] Where emission rates are per unit of output and are based on the current and/or future performance of a peer group of similar plants or installations.

[6] This could include, for example, grid emission factors, Intergovernmental Panel on Climate Change default values for fuel characteristics and other common values as well as conservative estimates of the emission reductions per unit for a given activity/product (e.g. a solar lamp or a compact fluorescent lamp), which can be multiplied by the number of units installed in order to calculate the total emission reductions achieved without monitoring each unit.

[7] These positive lists may be applied to activities that face high barriers to investment and/or those that have no, or few, financial benefits other than the revenues from CERs/ERUs.

[8] Where activities are considered additional if the technology used has not reached a certain level of market penetration in a particular country or region.

conservativeness applied within standardized baselines is also another way of ensuring environmental integrity which unifies, in a transparent way, the level of robustness applied across activities. It may also significantly reduce transaction costs for the participants as once a relevant standardized baseline is approved, participants no longer need to undertake the complex task of baseline development.

IV. Conclusion

33. In analysing opportunities for cost savings and efficiencies for JI, learning from the experiences of the CDM, while recognizing the respective mandates of the two mechanisms, this technical paper takes into account the context of the ongoing negotiations on the review of the JI guidelines. These negotiations have been moving towards replacing the current 'two-track' model of JI with a model already drawing strongly upon the experience gained in implementing the CDM.

34. The comparison, contained in chapter II above, of the proposed future governance and processes of JI with the approaches taken in the CDM indicates their convergence on a model which has proven its robustness, integrity and transparency, as well as its flexibility to work with a diverse range of Parties and stakeholders. Where the mechanisms would continue to differ is in the accounting of transfers of JI and CDM credits between Parties, after the regulatory cycles are complete and the credits have been issued.

35. The analysis in chapter III above indicates more specific opportunities through which JI can draw further upon the approaches used in the CDM for enhancing the governance and environmental effectiveness of the mechanism. These pertain to many aspects which the current negotiations on the review of the JI guidelines have sought to address, in particular with regard to enhanced international oversight, transparency, environmental integrity and standardization. In addition to drawing upon approaches that are already tried and tested in the CDM, there would be value in Parties and other stakeholders adopting common approaches to addressing the same issues, irrespective of the mechanism in which they arise.

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Existing international methodologies for the reporting of financial information

Technical paper

Summary

This document summarizes existing international methodologies for the reporting of financial information. It draws on relevant information contained in: (a) submissions from Parties included in Annex I to the Convention, referred to in decision 2/CP.17, paragraph 17, on their experience with reporting the first biennial reports; (b) views on the methodologies for the reporting of financial information contained in the submissions from Parties and observer organizations referred to in decision 11/CP.20, paragraph 2; (c) information submitted by Parties on the appropriate methodologies and systems used to measure and track climate finance, referred to in decision 5/CP.18, paragraph 10; and (d) the work of the Standing Committee on Finance on the 2014 biennial assessment and overview of climate finance flows of the Standing Committee on Finance.

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I. Introduction

A. Background and mandate

1. The Conference of the Parties (COP), at its seventeenth session, by decision 2/CP.17, adopted the "UNFCCC biennial reporting guidelines for developed country Parties" (hereinafter referred to as the UNFCCC reporting guidelines on BRs). It requested the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop, taking into account existing international methodologies, and based on the experiences gained in preparing the first biennial reports (BRs), methodologies for reporting financial information with a view to recommending a decision on this matter to COP 20.

2. SBSTA 40 initiated its discussion on methodologies for the reporting of financial information, taking into account existing international methodologies and based on experience gained in preparing the first BRs from developed country Parties, in accordance with decision 2/CP.17, paragraph 19.

3. The COP, by decision 11/CP.20, extended by one year the deadline of the mandate given to the SBSTA. It requested the secretariat to prepare a technical paper, prior to the forty-second sessions of the subsidiary bodies, summarizing the existing international methodologies and drawing on relevant information contained in:

(a) Submissions from Parties included in Annex I to the Convention (Annex I Parties), as referred to in decision 2/CP.17, paragraph 17, on their experience with reporting the first BRs;

(b) Views on the methodologies for the reporting of financial information contained in the submissions from Parties and observer organizations referred to in decision 11/CP.20, paragraph 2;

(c) Information submitted by Parties on appropriate methodologies and systems used to measure and track climate finance referred to in decision 5/CP.18, paragraph 10;

(d) The work of the Standing Committee on Finance (SCF) on the 2014 biennial assessment and overview of climate finance flows (BA).

4. In the same decision, the COP also requested the secretariat to organize a joint in-session technical workshop in conjunction with the forty-second sessions of the subsidiary bodies, drawing on the views noted in paragraph 3(b) above, and the technical paper referred to in the paragraph 3 above, so as to inform the work of SBSTA. The COP also decided that this workshop shall be jointly organized under the auspices of the SBSTA, the Subsidiary Body for Implementation (SBI) and the SCF.

B. Scope, approach and structure of the document

5. In line with the mandate, the secretariat has summarized the information contained in the sources referred to in decision 11/CP.20, paragraph 3.

6. This document focuses on views on the methodologies for the reporting of financial information referred to in 11/CP.20, paragraph 2, contained in submissions received from

Parties, groups of Parties[1] and observer organizations,[2] as well as the work of the SCF on 2014 BA.

7. Given that the mandate for the preparation of this document is limited to summarizing the sources referred to in decision 11/CP.20, paragraph 3, the secretariat has not performed a technical analysis of the proposed amendments in the common tabular format (CTF) tables or of the revision of the "Guidelines for the preparation of national communications by Parties included in Annex I to the Convention, Part II: UNFCCC reporting guidelines on national communications" (hereinafter referred to as the UNFCCC reporting guidelines on NCs) and the UNFCCC reporting guidelines on BRs. Amendments to the CTF tables proposed by a number of Parties and by the Climate Finance Group for Latin America and the Caribbean (GFLAC) can be found in document FCCC/SBSTA/2015/MISC.3/Add.1 and on the submission portal for observers, [3] respectively.

8. Views on the overall approach and views on the structure, outline, key elements and content of the revised UNFCCC reporting guidelines on NCs contained in seven submissions received from four Parties[4] over two rounds of submissions in 2014 were synthesized in a previous technical paper.[5] Included in the annex to the that document is a consolidated draft of the revised UNFCCC reporting guidelines on NCs based on Parties' submissions with draft text and key elements of the revised guidelines and the secretariat's technical analysis of those submissions.

9. Table 2 in the annex contains an updated version of the table I-3: "Preliminary Comparison of Reporting Approaches Used by Different Organizations" from the 2014 BA.[6]

II. Work of the Standing Committee on Finance on the 2014 biennial assessment and overview of climate finance flows

10. In 2014, the SCF prepared a biennial assessment in accordance with decision 2/CP.17, paragraph 121(f). The technical work undertaken for the preparation of the 2014 BA included a review of the operational definitions of climate finance and reporting systems used by institutions that collect climate finance data.[7] The SCF, in its summary and recommendations,[8] noted that the 2014 BA report encountered challenges in collecting, aggregating and analysing information from diverse sources. With respect to methodologies relating to measurement, reporting and verification of public and private climate finance, the SCF highlighted the following key findings:

(a) Data collectors and aggregators use different operational definitions of the term 'climate finance' but with common elements. The review of the climate finance

[1] For submissions from Parties and groups of Parties, see <www.unfccc.int/5900>.

[2] For submissions from observer organizations, see <www.unfccc.int/7482>.

[3] Available at <www.unfccc.int/7482>.

[4] Submissions received are available at <http://www4.unfccc.int/submissions/SitePages/sessions.aspx?showOnlyCurrentCalls=1&populateData=1&expectedsubmissionfrom=Parties&focalBodies=SBI>.

[5] FCCC/TP/2014/5.

[6] *2014 Biennial Assessment and Overview of Climate Finance Flows Report.* Available at <http://unfccc.int/8034.php>.

[7] The work of the SCF on these matters followed the decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, and 3/CP.19, paragraph 11.

[8] FCCC/CP/2014/5, annex II.

definitions adopted by data collectors and aggregators identified in the 2014 BA points to a convergence on this matter;

(b) Institutions report on climate finance for different purposes, and use different methods when doing so. Quality assurance of the reporting and public disclosure of the underlying data also varies;

(c) Reporting on the climate finance provided by developed countries to developing countries (NCs and BRs) is intended to promote transparency as to how, where and for what purpose climate finance flows. The initial analysis of the BRs on climate finance for this BA report suggests inconsistencies in how UNFCCC reporting guidelines on BRs have been used thus far for this purpose. This suggests a need to better understand these inconsistencies. In order to form a comprehensive picture of climate finance, information on both finance provided by developed countries and finance received by developing countries is needed.

11. The 2014 BA also found that the available estimates on global climate finance flows span a wide range, in part, due to the lack of adequate information on, inter alia, private finance on energy efficiency investment and on finance for reducing non-carbon dioxide emissions.

12. The BA report highlighted reporting issues that affect the comparability of financial data reported by Annex I Parties that were identified in the compilation and synthesis of sixth NCs and first BRs from Annex I Parties prepared by the secretariat.[9]

13. The SCF, in its summary and recommendations,[10] also highlighted efforts to improve quality and coverage of climate finance data that are under way, including the following:

(a) The international assessment and review (IAR) process, including the technical review of the first BRs, is likely to identify specific proposals that could improve the accuracy, completeness and comparability of data on climate finance flows to developing countries;

(b) The submissions on the experiences with the first BRs, and on the methodologies used to measure and track climate finance also include valuable information to enhance these efforts;

(c) The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC) is working to improve the application of the Rio markers, and to support more consistent quantified reporting towards the Rio Conventions;

(d) Multilateral development banks (MDBs) are working to harmonize the reporting of climate finance data in their joint MDB report on mitigation and adaptation finance. They are collaborating with the International Development Finance Club (IDFC) on these matters;

(e) Methodologies for reporting on mobilized private finance are at an early stage, with the OECD Research Collaborative on Tracking Private Climate Finance and MDBs exploring options for estimating mobilized private finance. Efforts are also under way to improve understanding of private finance flows.[11]

[9] FCCC/SBI/2014/INF.20/Add.1 and Corr.1.

[10] FCCC/CP/2014/5, annex II.

[11] In December 2014, after the publication of the 2014 BA report, the DAC high-level meeting, in its communique, noted that it supported the collection of data and amounts mobilized and continues

14. The SCF noted that further efforts would enable better measurement, reporting and verification of climate finance flows.

15. In view of the above, the SCF proposed, inter alia, the following recommendations related to methodologies for consideration by the COP:

(a) Invite a relevant body under the Convention to consider the key findings of the BA with a view to improving the guidelines for reporting climate finance under the Convention;

(b) Invite a relevant body under the Convention to develop common reporting methods for needs of and climate finance received by the Parties not included in Annex I to the Convention (non-Annex I Parties) in time for the next cycle of biennial updated reports (BURs), taking into consideration the experiences of developing countries;

(c) Invite relevant data producers, collectors, aggregators and experts from both developed and developing countries to offer suggestions for the enhancement of approaches for the measurement and reporting of climate finance through, inter alia:

(i) Introduction of formal data assessment processes;

(ii) Improvements in the use of common definitions;

(iii) Further efforts to develop common methodologies, particularly for the provision of information on adaptation finance and private climate finance, to the extent possible, and disaggregated data to improve comparability of data.[12]

16. With regards to operational definitions of climate finance, the SCF proposed the following recommendations:

(a) Invite Parties to consider the definitional elements in paragraph 4 of the summary and recommendations for future reporting under the Convention;[13]

(b) Request the SCF, in collaboration with relevant international financial institutions and organizations, to continue technical work on operational definitions.

17. Since the publication of the 2014 BA report, there has been further work by other organizations that aims to improve the quality and coverage of data on climate finance.

III. Overview of latest developments and efforts to improve existing international methodologies for tracking and reporting climate finance

18. The 2014 BA report includes a preliminary comparison of the approaches used by different institutions reporting on both public and private climate finance. This information is included in table I-3 in chapter I of the report. Table 1 below presents an overview of the differences in objectives, reporting approaches and methodologies for BRs, OECD-DAC and MDBs.

work to establish a first international standard for measuring the volumes of private finance mobilized by official interventions. DAC is currently exploring methodological options. See chapter III. B.2.

[12] The full list of recommendations is contained in document FCCC/CP/2014/5, annex II, paragraphs 18–20.

[13] FCCC/CP/2014/5, annex II, paragraph 4.

Table 1
Overview of the differences in objectives, reporting approaches and methodologies for BRs, OECD-DAC and MDBs

	OECD-DAC	*BRs*	*MDBs*
Objectives	To measure and monitor the financial flows for development, including climate-related ODA grants, loans and other official flows provided over time, data is reported and collected for OECD-DAC members, some countries that are not members, and multinational organizations as well as some private donors	To inform all the Parties to the Convention on how Annex II Parties are meeting their commitments under Articles 4 and 12 of the Convention	To consistently measure climate change finance channelled by the MDBs in a transparent and harmonized manner
Reporting approaches	Activity level data is reported by members and organizations and collected within the OECD-DAC Creditor Reporting System, based on rules developed and agreed by the OECD-DAC, outlined in the OECD-DAC statistical reporting directives. These include definitions and classifications for standardized financial data collection (i.e. definitions of ODA, concessionality, commitments, exchange rates, channels, sectors). The list of eligible ODA recipients does not include all non-Annex I Parties[a]	Based on guidelines adopted by the COP, which specify categories (adaptation, mitigation, etc.) and channels (bilateral and multilateral, etc.) in the CTF but leave other aspects undefined	Based on the an activity typology[b] agreed among all MDBs for mitigation finance[1] and a context- and location-specific, conservative and granular approach[c] for adaptation finance
Methodologies	OECD-DAC has statistical rules, including definitions, eligibility criteria and guidelines on how to classify projects targeting climate adaptation and mitigation objectives	Parties self-determine climate finance but report on which instruments they use	The joint reporting approach focuses on measuring financial flows. The classification is ex-ante[2]

Source: Adapted from the *2014 Biennial Assessment and Overview of Climate Finance Report.*

Notes: (1) In an effort to harmonize their mitigation tracking methodologies, in 2015, MDBs and the International Development Finance Club launched the "Common Principles for Climate Mitigation Finance Tracking". The principles consist of a set of common definitions and guidelines, including the list of activities, but do not cover aspects related to their implementation; (2) For mitigation, an activity is classified as eligible if it promotes "efforts to reduce or limit GHG emissions or enhance GHG sequestration". For adaptation, reporting is limited solely to those project activities that are designed to address climate risk, in an attempt to distinguish projects contributing to climate change adaptation and a standard "good development" project.

Abbreviations: BRs = biennial reports, COP = Conference of the Parties, CTF = common tabular format, GHG = greenhouse gas, MDBs = multilateral development banks, ODA = official development assistance, OECD-DAC = Development Assistance Committee of the Organisation for Economic Co-operation and Development.

[a] The list of ODA eligible countries also includes some Annex I Parties. For example, climate-related aid is reported to Croatia, Turkey and Ukraine.

[b] Mitigation activities include investment components related to renewable energy, energy efficiency and cleaner fuels, as well as mitigation activities in transport, agriculture, forestry and land-use, waste and wastewater. It also includes non-energy GHG reductions and other cross sector activities. The joint MDBs approach follows a granular approach aimed at disaggregating mitigation activities from non-mitigation activities. This approach allows for a reasonable level of data granularity by dissecting projects into components whereby only the share of mitigation component is reported.

[c] The approach is process-based and drills down into the sub-project or project element level as appropriate. The reporting of adaptation finance is limited solely to those project activities that are designed to address climate risk, in an attempt to distinguish projects contributing to climate change adaptation and a standard "good development" project.

19. The secretariat, in preparing this document, has updated table I-3 based on information received from two contributors to the 2014 BA report (United Nations Development Programme (UNDP) and Climate Policy Initiative) and information contained in the submissions[14] from three observer organizations (OECD, a group of MDBs[15] and UNDP) on their views on methodologies for the reporting of financial information referred to in decision 11/CP.20, paragraph 2. The updated table I-3 is contained in the annex.

A. Summary of relevant ongoing work under the Convention

20. In accordance with Article 12, paragraph 3, of the Convention, Parties included in Annex II to the Convention are required to provide details of measures taken to give effect to their commitments under Article 4, paragraphs 3–5. Parties are also required to indicate what "new and additional" financial resources they have provided pursuant to Article 4, paragraph 3. Each Party is also required to clarify how they have determined that such resources are "new and additional".

21. The SBI, in response to decision 2/CP.17, paragraph 18, was requested to initiate the process of revising the UNFCCC reporting guidelines on NCs, based on the experiences gained in preparing the first BRs and other information, with a view to adopting the revised guidelines by COP 20.

22. The discussions on the revision of these guidelines continued at SBI 41. The SBI considered the technical paper prepared by the secretariat based on the views submitted by Annex I Parties on their experience with preparing their first BRs in response to the invitation of COP 17 and in response to the invitation by SBI 40. The revision of these guidelines was not completed, however, and will be further discussed at SBI 42 in June 2015.

23. The COP, by decision 2/CP.17, paragraph 26, decided to revise the modalities and procedures for the IAR process on the basis of the experience gained in its first round, no later than 2016.

[14] For submissions from observer organizations, see <www.unfccc.int/7482>.

[15] Submitted by the World Bank on behalf of the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the International Finance Corporation and the World Bank.

24. The COP adopted[16] and revised[17] the "Guidelines for the technical review of information reported under the Convention related to greenhouse gas inventories, biennial reports and national communications by Parties included in Annex I to the Convention" (hereinafter referred to as the revised UNFCCC review guidelines). The COP decided to use these guidelines for the review of the first BRs and the sixth NCs starting in 2014 and for subsequent reviews of BRs and NCs until any revisions of these guidelines are decided upon by the COP.[18] The revised UNFCCC review guidelines state that, in the years in which NCs and BRs are submitted together, both will be subject to an in-country review. They also state that a BR shall be reviewed in conjunction with its NC in the years in which both the BR and the NC are submitted.

25. As at 30 April 2015, the secretariat had coordinated 34 in-country technical reviews.[19] In accordance with the provision of decision 9/CMP.9, paragraph 3, centralized reviews of the sixth NCs and first BRs were coordinated by the secretariat for 10 Parties.[20]

26. As at 30 April 2015, 41 reports of the in-depth review of the sixth NCs and 41 reports of the technical review of the first BRs have been published. Seventeen Annex I Parties were multilaterally assessed in a working group session under SBI 41 and summary reports have been published.[21] Review reports of all remaining 24 Annex I Parties will be multilaterally assessed in a working group session at SBI 42, and those for Belarus and Kazakhstan in a working group session at SBI 43.

27. At COP 19, Parties invited the SCF to consider ways to increase its work on measurement, reporting and verification (MRV) of support beyond the BA[22] in accordance with its workplan for 2014–2015.[23] The SCF initiated discussions on the matter in 2014. COP 20, by decision 11/CP.20, paragraph 6, requested the SCF to include its recommendations on the methodologies for the reporting of financial information, in its annual report to COP 21, taking into consideration the outcomes of the joint in-session workshop referred to in paragraph 4 above.

B. Recent developments in enhancing common reporting approaches adopted by data producers and aggregators

28. As indicated in paragraph 15(c) above, the SCF, in its summary and recommendations, also referred to the enhancement of approaches for measuring and reporting climate finance flows by data producers, collectors and aggregators through, inter alia, improvements in the use of common definitions and further efforts to develop common methodologies.

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[16] Decision 23/CP.19, paragraph 1.

[17] Decision 13/CP.20, paragraph 1.

[18] Decision 23/CP.19, paragraph 2.

[19] In-depth reviews of the sixth NCs and the technical reviews of the first BRs for Australia, Austria, Belarus, Belgium, Bulgaria, Canada, the Czech Republic, Denmark, the European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Kazakhstan, Luxembourg, the Netherlands, New Zealand, Norway, Poland, Portugal, Romania, the Russian Federation, Spain, Sweden, Switzerland, Turkey, Ukraine, the United Kingdom of Great Britain and Northern Ireland, and the United States of America.

[20] Croatia, Cyprus, Estonia, Latvia, Liechtenstein, Lithuania, Malta, Monaco, Slovakia and Slovenia.

[21] Available at <http://unfccc.int/documentation/documents/items/3595.php?id=3595&searchterm=fccc%2Fweb%2Fma>.

[22] Decision 7/CP.19, paragraph 9.

[23] FCCC/CP/2013/8, annex VIII.

29. Information provided by OECD, a group of MDBs, and UNDP in their submissions on views on reporting methodologies is summarized below.

1. Efforts of multilateral development banks and the International Development Finance Club to harmonize methodologies for climate mitigation finance tracking

30. In 2015, significant efforts have been made by MDBs and the IDFC[24] to harmonize their mitigation tracking methodologies. Both groups have intensified their work on the climate mitigation methodology, which has resulted in the launch of the "Common Principles for Climate Mitigation Finance Tracking".[25] The principles consist of a set of common definitions and guidelines, including a list of activities eligible for classification as climate mitigation finance, but do not cover aspects related to their implementation, including quality control procedures which remain the sole responsibility of each institution and/or group. The principles reflect the approach that both MDBs and IDFC[26] have been following for tracking climate change mitigation activities for the past four years, and are based on the application of harmonized terms.

31. Regarding climate adaptation finance, MDBs and IDFC have agreed to work jointly to improve understanding on definitions of the different approaches and principles. Both groups are currently collaborating on methods to define such principles. MDBs and IDFC aim to reach reasonable progress on this matter in 2015.

32. At present, there is no formal data assessment process. Each MDB undertakes its own quality control. However, the approaches taken by individual MDBs in tracking and reporting data are discussed by a working group which meets regularly. During these meetings, the working group discusses projects/case studies and improvements to the methodology. MDBs also discuss commonalities and differences among climate finance tracking approaches with other non-MDB agencies and/or groups with the aim of better understanding, potential harmonization and comparability of data. No agreement has been reached to date on common operational guidance for tracking climate mitigation. However, in 2015, the MDBs aim to finalize discussions on this matter.

2. Development Assistance Committee of the Organisation for Economic Co-operation and Development

33. Since 2014, the OECD-DAC and its 29 members have been working in collaboration with the international community, including MDBs, development finance institutions and other stakeholders to fine-tune the Rio marker definitions for climate change adaptation and mitigation, eligibility criteria, and guidance to support the application and improve the quality of the Rio marker data. This includes drawing on existing methodologies from MDBs and IDFC, including efforts to enhance common definitions across the range of initiatives. These potential changes are under consideration, with revisions to the OECD-DAC statistical reporting directives expected in 2015–2016. The improvements aim to particularly improve the relevance and quality of the Rio marker data.

34. The Rio markers are descriptive, identifying activities targeting climate change as a principal or significant objective, allowing for an approximate quantification of financial

[24] IDFC is a network of 22 national, regional and international development banks from all over the world. The membership list is available at <https://www.idfc.org/Who-We-Are/members.aspx>.

[25] Available at <http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf>.

[26] For a detailed description of the approach adopted by IDFC, see *2014 Biennial Assessment and Overview of Climate Finance Flows Report*, paragraphs 32–38.

flows. Climate-related development finance is often broader than climate finance reported to the secretariat, as different methodologies are applied by Parties in order to account only for a certain share of climate-related development finance, applying 'coefficients' to adjust and scale down the volume of finance to report. These shares range across members from 30 to 100 per cent, furthermore, there is no common reporting standard and limited transparency in these practices. The OECD-DAC is working to improve the transparency of its members' approaches and is exploring the evidence base to support more quantified reporting to the Rio Conventions, in particular the practice of applying coefficients.

35. The OECD-DAC system and data collection enables climate-related multilateral flows to be measured and reported from both a recipient perspective, based on total outflows from MDBs, and from a provider perspective, based on "imputed multilateral contributions". This approach provides a methodology for developed Parties to estimate and report on their "climate-specific" multilateral contributions. Recent OECD-DAC decisions will modernize ODA, develop a complementary and broader measure of total official support for sustainable development (TOSSD)[27] and measure the amounts of private finance mobilized through official development finance interventions within the OECD-DAC statistical system. The main features of the modernization of the OECD-DAC statistical framework for ODA and TOSSD measures, inter alia, include:

(a) Modernizing the reporting of concessional loans to make it easier to compare against the effort involved in providing grants, by introducing a grant equivalent system for the purpose of calculating ODA data. Concessionality will also be assessed based on differentiated discount rates for lower and middle income countries;

(b) The headline ODA measure will capture the effort of the official sector in providing development finance, while TOSSD will be used as the headline measure for financial flows themselves;

(c) In future, the OECD-DAC statistical framework will in future capture climate-related flows that go beyond the scope of ODA to include non-concessional financing flows (i.e. other official flows) and amounts mobilized from the private sector by official development finance.

36. Regarding the measurement of mobilized private finance, the OECD-DAC high level meeting in December 2014 supported the collection of data on the amounts mobilized and agreed to continue work to establish a first international standard for measuring the volumes of private finance mobilized by official interventions. The OECD-DAC is currently assessing options for a methodology to measure volumes of mobilized private finance for three financial instruments: guarantee schemes, syndicated loans, and shares in collective investments. The data collection on amounts mobilized will be subject to reporting on climate change Rio markers and will be reflected in the revision of the OECD-DAC statistical reporting directives in 2015.

37. Concurrently, the OECD-led multi-stakeholder Research Collaborative on Tracking Private Climate Finance has been exploring options for the development of improved methodologies both for measuring the broader private climate finance flows and private flows mobilized by developed countries' public interventions. The OECD Research Collaborative has developed a four-stage framework of key decision-making points for estimating mobilized private finance, assessed on the basis of four criteria: accuracy,

[27] The OECD-DAC 2014 High Level Meeting held in Paris, France, on 15 and 16 December 2014, recognizing and further incentivizing the efforts that are being made above and beyond ODA, agreed to continue to develop a new statistical measure, to complement, not replace, the ODA measure. See OECD-DAC Final Communique, 16 December 2014. Available at <http://www.oecd.org/dac/dac-hlm.htm>.

incentives, provided practicality and standardization potential. The four-stage framework highlights a number of short-term options for estimating and reporting mobilized private finance and a set of long-term recommended actions towards improved data and methods. The OECD Research Collaborative on Tracking Private Climate Finance continues work to further develop and test estimation methods in the context of pilot measurement of mobilized private finance.[28]

3. Climate Public Expenditure Reviews of the United Nations Development Programme

38. The Climate Public Expenditure Reviews (CPEIRs) of UNDP provide recipient countries with the tool to track and measure the receipt of climate change finance flows in the context of overall national planning and budgeting processes. Recently, UNDP has developed a CPEIR database,[29] which captures climate change expenditures from a national perspective.

39. CPEIRs undertaken in various countries since 2012 define climate finance based on the assessment of the level of climate change relevance of a particular expenditure using two approaches: the CPEIR Climate Change Relevance Index; and the CPEIR Benefits Approach.

40. The CPEIR Climate Change Relevance Index approach builds on the Rio markers methodology which utilizes the declared objectives of the programmes and expenditures in order to determine the climate change relevance of the expenditure on a scale of 0 to 100 per cent. All activities are grouped into five categories (high: >75 per cent; mid: 50–74 per cent; low: 25–49 per cent; marginal: <25 per cent; and no: 0 per cent) with the corresponding weightings then applied to the programme/policy expenditures in order to quantify the climate change-relevant expenditures.

41. The CPEIR Benefits Approach[30] defines climate change relevance by how sensitive a programme is to climate change, linking intrinsically to the expected benefit of the action to the impact of climate change. It reconciles the climate impact analysis and the climate relevance analysis by analysing the benefits when climate change impacts materialize compared to the situation without climate change. This is done by estimating the benefits of an action both with and without climate change and comparing these benefits.

IV. Experiences of Annex I Parties with reporting the first biennial reports

42. The introduction of BRs represents an important milestone in the MRV agreements under the Convention from the perspective of transparency of information on the provision of support to non-Annex I Parties. In particular, provision of data on financial support through the CTF tables has increased transparency.

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[28] Estimating Mobilised Private Climate Finance: Methodological Approaches, Options and Trade-offs. Available at <http://www.oecd-ilibrary.org/docserver/download/5js4x001rqf8.pdf?expires=1432885424&id=id&accname=guest&checksum=6CC4B0F9454EC7F06BDA9416A1606E29>.

[29] Available at <http://climatefinance-developmenteffectiveness.org/CPEIR-Database>.

[30] Three countries (Cambodia, Thailand and Indonesia) have undertaken this methodology. The analysis in all three countries has used national evidence, wherever possible, supplemented by international studies. For all three countries, the benefits analysis supported public finance reform initiatives that aim to improve the evidence base of policy formulation and to introduce results-based management.

43. The UNFCCC reporting guidelines on BRs have significantly enhanced current reporting by Parties on the support they provide; although inconsistencies due to the lack of commonly agreed definitions and methodologies still remain. These and other issues relating to reporting are presented in the first part of the compilation and synthesis of the sixth NCs and first BRs from Annex I Parties.[31]

44. Parties submitted views on the revision of the UNFCCC reporting guidelines on NCs during August 2014. These views were synthesized in a technical paper prepared by the secretariat.[32] The discussions by Parties at SBI 41 on the revision of the guidelines took into consideration the views provided in the technical paper referred to in paragraph 44 above; and as this revision was not completed at that session, it will continue at SBI 42.

45. Parties, in their submissions,[33] suggested that the current UNFCCC reporting guidelines on NCs be revised to address inconsistencies, differences and overlaps between the UNFCCC reporting guidelines on NCs and the UNFCCC reporting guidelines on BRs. The views of the Parties, including on streamlining information and ensuring consistency between the NCs and the BRs, are elaborated in the technical paper (see para. 44 above).[34] An overview of the proposed changes to the UNFCCC reporting guidelines that apply to information on support provided in NCs and BRs are contained in the same document.[35]

V. Synthesis of views on methodologies for the reporting of financial information, as referred to in decision 2/CP.17, paragraph 19

A. Background

46. Parties and observer organizations, by decision 11/CP.20, paragraph 2, were invited to provide their views on methodologies for the reporting of financial information, as referred to in decision 2/CP.17, paragraph 19.[36]

47. All Parties recognize the important role of the BRs in facilitating transparency. Many Parties noted that there is potential to further enhance the overall transparency of information on the financial support provided. Parties have also underlined that harmonized reporting has the potential to enhance the efficiency and effectiveness of finance deployment, and use of support provided.

48. In their submissions of views on methodologies for reporting financial information as referred to decision 11/CP.20, paragraph 2,[37] a group of Parties and another Party underlined the need to further identify the roles and synergies of and avoid overlaps between the SBSTA, the SBI and the SCF on matters relating to reporting as well as more generally in the MRV of support.

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[31] FCCC/SBI/2014/INF.20/Add.1, chapter VII.B.

[32] FCCC/TP/2014/5.

[33] Submissions received are available at <http://www4.unfccc.int/submissions/SitePages/sessions.aspx?showOnlyCurrentCalls=1&populateData=1&expectedsubmissionfrom=Parties&focalBodies=SBI>.

[34] FCCC/TP/2014/5, chapter II.B and C.

[35] FCCC/TP/2014/5, chapter IV.G.

[36] The submissions from Parties are also available at <www.unfccc.int/5900>, and the submissions from observer organizations at <www.unfccc.int/7482>.

[37] For submissions from Parties and groups of Parties, see <www.unfccc.int/5900>.

B. Objectives and principles

49. Many have suggested that improvements in the existing reporting system should:

(a) Enhance common understanding on key terminology for reporting under the Convention by clarifying key concepts and reporting parameters;

(b) Ensure that underlying approaches of methodologies for reporting financial information are harmonized and applied by all actors involved in the production, collection and aggregation of data;

(c) Foster cross-coordination and collaboration between the relevant bodies under the Convention, and data producers and aggregators in order to avoid double-counting and undue duplication of work;

(d) Simplify and clarify the reporting requirements in order to facilitate cost-effective and efficient reporting that sets the right incentives.

50. One Party considers that the objective of methodologies for the reporting of financial information by Annex I Parties is to address the need for accurate accounting of support provided with a view to ensuring robustness and transparency of the Financial Mechanism.

51. One group of Parties proposed four broader objectives that the reporting of climate finance should achieve:

(a) Enable Parties to have a comprehensive understanding of the fulfilment of the finance commitment by all developed countries;

(b) Enable developed countries to demonstrate their efforts towards the achievement of their commitments, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries;

(c) Facilitate the verification process and the aggregation of information provided;

(d) Ensure that the information supports its evaluation in terms of effectiveness and delivery of climate finance.

52. The same group of Parties underscored the variations in the stringency in the methodologies used in reporting information on the same financial instruments and allocation channels in the CTF tables. Another Party specifically noted that the reporting by Annex I Parties could be enhanced by enhancing comparability of information on financial instruments, sectors and allocation channels, with different methodologies for each identified eligible financial instrument. With regard to methodologies for reporting information on sectors, the same Party considers that information should be classified by recipient country, financial instrument and allocation channel.

53. A Party described a common methodology in terms of: "leanness" and easiness to handle; integer so as to avoid double counting, allowing for aggregation, and building on available data; "meaningfulness" in ways that increase transparency and build trust, and promote nationally appropriate action; and "appropriateness" with applicability to various types of data and allowing for individual and joint reporting.

54. A group of Parties and a Party considers the general principles of compieteness, transparency, comparability, accuracy and efficiency to apply to methodologies for reporting financial information in the same way as they apply to the reporting of greenhouse gas inventories. GFLAC suggested to build on the CTF tables.

55. With regard to reporting of non-Annex I Parties, one Party, referring to the information included in the BURs submitted to date,[38] noted that there are indications of the lack of clarity that persists on the provision of information on support received and use of finance. In this regard, this Party noted the need to enhance consistency in reporting by non-Annex I Parties.

56. In view of the above, Parties have identified a number of reporting elements in the reporting of Annex I and non-Annex I Parties where improvements could be made, including in the UNFCCC reporting guidelines on BRs, CTF tables and BURs. An overview of the suggestions and proposals for improvements in the reporting by Annex I Parties is presented in chapter V.C, and for improvements in reporting by non-Annex I Parties in chapter V.D.

C. Improving reporting by Annex I Parties

57. Parties underlined the need to enhance common understanding on key terminology for reporting under the Convention by clarifying key concepts and reporting parameters in order to facilitate transparency and comparability of information and data on support over time and across Parties, highlighting concepts of "climate finance" and "mobilized private finance". One group of Parties noted that improvements should ensure the accountability, coherence and comparability of data in and over time and across Parties and should simplify and clarify reporting requirements in order to facilitate cost-effective and efficient reporting that sets the right incentives.

58. Another group of Parties noted the need for clarification on the roles and nature of the NCs and the BRs. This group of Parties noted that the current differences in the reporting requirements and reporting tables between the BRs and the NCs may cause confusion during the review and result in inconsistent data sets. In order to further enhance the transparency and consistency of information, the same group of Parties proposed to streamline the reported information. Specifically, it proposed to either request the same information in the NCs and the BRs, including harmonizing the tables, or to restrict the communication of different kinds of information to either the NCs or the BRs.

59. On this matter, the same Parties and another Party proposed that the revision of the UNFCCC reporting guidelines on BRs and the UNFCCCC reporting guidelines on NCs should lead to the harmonization of the reporting requirements across the Convention and for all Parties by aligning the reporting guidelines for the preparation of information and data on financial support in the NCs and the BRs, particularly guidelines that apply to tables used to report similar data.

60. Another group of Parties further noted the lack of specification in the UNFCCC reporting guidelines of the activities and interventions eligible for accounting towards the commitment referred to in paragraph 20 above. The same group of Parties noted that the reporting system can be further enhanced by defining the concepts of "newness" and "additionality".

61. This group of Parties noted that the CTF for tables is not sufficient to provide the extent of granularity required in order to provide a complete picture of the financial support provided towards commitments under the Convention due to limitations in the UNFCCC reporting guidelines (e.g. reporting guidelines do not cover reporting on private finance mobilized from multilateral financial institutions, they only applies to Parties included in Annex II to the Convention, while reporting guidelines allow for either individual or collective reporting of mobilized private finance, the reporting guidelines do not contain further guidance on how to report information collectively).

[38] Submitted BURs from non-Annex I Parties are available at <http://unfccc.int/ 8722.php>.

62. Parties have proposed a number of specific improvements that would strengthen common reporting parameters in order to clarify concepts, underling definitions and methodologies used. In this regard, Parties have proposed amending the CTF so as to provide further clarity on some of the key elements in the current UNFCCC reporting guidelines on BRs, including:

(a) Status of contributions used as the basis of reporting support provided (i.e. "provided", "committed " and "pledged");

(b) Where Parties report information on "mobilized private finance", provision of information on the definitions and methods used to report such information;

(c) Criteria for defining finance as being "climate-specific";

(d) Methodology for reporting on "core/general" contributions, including through multilateral channels other than multilateral climate change funds (i.e. "multilateral financial institutions", including "regional development banks" and "specialized United Nations bodies");

(e) Other technical elements such as exchange rates used.

63. One Party also noted that communicating information on the above elements in a standard format would, over time, lead to the possible harmonization of Party-determined definitions and methods used in unique national reporting systems. This Party and GLFAC underlined the importance of greater clarity on the underlying definitions and methods used in enhancing the compatibility and comparability of Parties' data sets with other complementary reporting systems, such as those of the OECD-DAC, as well as increasing their usability by civil-society organizations.

64. On this matter, another Party suggested that the provision of guidance on national arrangements for the collection of data and reporting be included in the methodologies.

65. One group of Parties suggested that amendments to the status of contributions and other technical elements in the CTF be included in the reporting of Parties in both their BRs and NCs by building on and making reference to existing reporting systems. On the status of contributions, another Party proposed that to maintain consistency and avoid double counting, Annex I Parties report only information on support "provided" in current and constant prices in the CTF, and that information on support "committed" and "pledged" be included in annex or memorial items.

66. Another group of Parties noted that further clarity is also needed on public financial support in terms of information on the type of financial instrument (i.e. grants, loans or guarantees), the level of detail of information on the types of support and sector (i.e. activity and project-level data), and the country targeted (where information is provided on regional projects). This group of Parties, in the context of methodologies for reporting financial information, also highlighted the importance of information on estimation methods for mobilized climate finance, including information on causality, attribution, public versus private and the point of estimation. On the level of detail of information on the type of support provided, the same Party, proposed the reporting of information at project-level only in the BRs and CTFs.

67. One Party proposed that classification under the type of support provided should exclusively cover support aimed at enabling and supporting enhanced action on mitigation, adaptation, technology development and transfer, report drafting, and capacity-building for non-Annex I Parties, from public, private, bilateral, multilateral and alternative sources. This Party also proposed to: (a) only count shares of climate activities from allocation channels with multiple purposes; (b) consider funds leveraged from ODA as complementary; and (b) not consider funds for administrative purposes as climate finance.

68. With regard to a reporting system, the same Party proposed the following:

(a) To establish a universally accessible financial support registry in order to ensure inclusiveness and transparency for all Parties;

(b) To communicate to the COP, through the NCs submitted by Annex I Parties, information on: the origin, intermediaries and characteristics of funds, including funds from private, public, bilateral, multilateral and alternative sources; technology transfer and capacity-building; additional information submitted by developed countries; and additional financially-supported information submitted from developing countries, operating entities annual reports and others;

(c) To ensure that reporting of climate-related support follows a common, internationally agreed format, approved by the COP, in order to allow for comparability, assessment and analysis by the SCF and by all non-Annex I Parties and Annex I Parties in a format that allows for the inclusion of information on funded actions, amount effectively disbursed against obligations under the Convention , amount of new and additional funds, sector, financial channels, time frame and instruments (including, inter alia, grants, concessional loans, capital and others).

69. One group of Parties are of the view that the BRs have the potential to further enhance the transparency of support and reporting by contributing to convergence, where appropriate, with other existing reporting systems such as the OECD-DAC Creditor Reporting System and the joint approach for tracking and reporting climate finance of MDBs. On this matter, a group of Parties proposed that the Convention provides clear guidance on the level of detail required in order to guide data collectors and producers outside the Convention to adjust their information and harmonize their data, so as to facilitate the measurement and verification process under the Convention.

1. Improving the coverage of multilateral climate finance flows

70. Many Parties state that data on climate-specific flows from multilateral financial institutions, such as MDBs, are poorly captured by the current reporting system. One Party noted that this is due to the fact that the current system attempts to capture MDB flows by requesting that Parties report on their overall ordinary capital resource contributions to both climate- and non-climate-specific multilateral entities.

71. Parties underlined that clearer data on how the core/general contributions by Parties were used by multilateral financial institutions, particularly MDBs as well as the specialized United Nations bodies, for climate activities in developing countries is critical to their ability to collect and provide information on multilateral climate-specific support.

72. A group of Parties and another Party further noted that double counting may arise due to the fact that MDBs also manage external financial resources in addition to their own resources, including the core/general contributions of Parties.

73. To address these matters, these Parties underlined the need for a common approach to address the issue, and proposed the following:

(a) MDBs to disclose which share of the core/general contributions of Parties were used for climate-specific projects so that Parties can calculate the imputed climate finance of Parties for reporting these contributions in the BRs;

(b) Coordinated reporting in order to avoid double counting across MDBs and Parties, which may also be reporting these contributions in their BRs.

74. Since MDBs and other multilateral financial institutions do not report under the Convention, many Parties proposed that these institutions be invited in order to provide clarity on data information on how general contributions by Parties were used for climate

activities in developing countries. In this regard, one Party proposed to request a relevant Convention body to collaborate with these institutions so as to discuss the development of an appropriate reporting avenue.

2. Reporting of mobilized private finance

75. In accordance with decision 19/CP.18, Annex I Parties are requested to consider the best approach for future reporting on climate-related private finance at the next revision of the UNFCCC reporting guidelines on BRs.

76. One group of Parties underlined the need to develop enhanced and common methodologies for adequate and shared systems for reporting mobilized private finance. This group suggested, as a starting point, to apply an understanding of private climate finance, which specifies that these financial flows are:

(a) Mobilized by public finance, or by a public intervention, including in the sphere of policy and regulatory reform;

(b) Climate relevant in accordance with criteria used by appropriate international organizations such as OECD and MDBs.

77. One Party suggested that, when Parties report information on "mobilized private finance", the CTF should be amended so as to provide information on definitions and methods used to report such information. On this matter, another Party underlined the need to address the issue of definitions of "mobilized" and "leveraged". Another Party attributes this to a lack of guidance in the UNFCCC reporting guidelines.

78. In the absence of specific guidance on how to report on climate-related private finance in the UNFCCC reporting guidelines, the same group of Parties suggested that the secretariat: (a) engage with institutions that collect such data so as to address issues of data availability; and (b) include clear guidance in the UNFCCC reporting guidelines on BRs on how to report such information under the Convention.

79. In view of the above, several Parties, referred to the ongoing work of the OECD Research Collaborative on Tracking Private Climate Finance (see para. 37 above).

80. One Party is of the view that all Parties, in accordance with their national legislation and policies, should stimulate and incentivize the private sector to report on climate finance flows voluntarily in order to increase the transparency and visibility of various climate relevant investment flows from the private sector.

3. Reporting methodology for capacity-building and technology support

81. Reporting on financial support provided and technology transfer has in the past been particularly problematic due to, among other things, lack of clarity on the data reported, resulting primarily from a lack of commonly agreed definitions and methodologies.[39]

82. One group of Parties and another Party consider that comprehensive reporting on these topics is complex due to the integrated nature of these activities, projects and programmes. As such, the same Parties are of the view that the reporting methodologies with regard to the acceleration of technology transfer and associated capacity-building activities should consider the cross-cutting nature of these types of support and the complexity in assessing the wide scope of mitigation and adaptation technologies.

83. The same group of Parties considers it a complex activity to quantify the associated induced learning effects or innovation. It notes that it would not be useful to develop

[39] FCCC/SBI/2014/INF.20/Add.1, paragraph 280.

separate indicators for climate-relevant technology transfer and associated capacity-building activities, but that it would be helpful to consider such activities as being an integrated part of a coherent reporting methodology for financial flows.

D. Improving reporting by non-Annex I Parties

84. The objectives of the "UNFCCC biennial update reporting guidelines for Parties not included in Annex I to the Convention"[40] inter alia, include: to enable enhanced reporting on needs and support received, in accordance with their national circumstances, capacities and respective capabilities, and the availability of support; and, to facilitate the presentation of information on finance, technology and capacity-building support needed and received, including for the preparation of biennial update reports. Thirteen BURs have been submitted to the secretariat as at May 2015.[41]

85. The SCF, in its summary and recommendations on the 2014 BA,[42] included a recommendation which highlights further efforts to enable strengthening of, inter alia, reporting of financial support received. Specifically, it underlined the need to develop common reporting methods for needs and climate finance received in time for the next cycle of BURs, with consideration of developing countries' experiences.

86. In view of above, one Party proposed the development of a common reporting format in order to help to facilitate and enhance consistency in the biennial update reporting based on existing expert recommendations and international experience, such as work undertaken by the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention.[43] The same Party suggested that such a common reporting format could be built around three dimensions: (a) sources (e.g. multilateral sources, bilateral sources, other, etc.) and providers; (b) sectors receiving finance (e.g. agriculture, water, energy and transportation) and end use of such finance (e.g. mitigation and adaptation); and (c) types of finance (e.g. concessional and non-concessional) and instruments (e.g. loans, grants and equity).

87. This Party also highlighted the crucial role of a more consist reporting of support received in enhancing donor coordination efforts as well as assessing alignment between support provided and nationally identified needs.

88. On this matter, GFLAC suggested that a CTF for reporting financial support received should be designed in a way that allows comparison of the information submitted in BRs and BURs. The same group of Parties further suggested that the current registry for matching mitigation measures such as nationally appropriate mitigation actions with financial support, the creation of which was mandated at COP 17, also be adjusted in order to include the recording of financial flows and that it be operated by a specific entity within each country.

89. GFLAC also proposed that a methodology under the Convention should allow for quantitative and qualitative analysis of climate finance using common criteria. In this regard, this group of Parties considered top-down and bottom-up approaches for measuring and analysing information on support provided and received. It also considered insights and

[40] Decision, 2/CP.17, annex III.

[41] BURs submitted by non-Annex I Parties are available at <http://unfccc.int/8722.php>.

[42] *Summary and Recommendations by the Standing Committee on Finance on the 2014 Biennial Assessment and Overview of Climate Flows*. Available at <http://unfccc.int/8034.php>.

[43] *CGE Training Materials – Biennial Update Reports*. Available at <http://unfccc.int/files/national_reports/non-annex_i_natcom/training_material/methodological_documents/application/pdf/cross_cutting_issues_1_(29_october_2013)-presentation.pdf>.

experiences from national MRV systems in developing countries useful for methodologies under the Convention.

90. Another Party, with regard to verification of support, noted that: (a) the source and character of funds must allow for traceability on the part of non-Annex I Parties; and (b) non-Annex I Parties that receive funding must be able to certify the funds received and report on the effective use of funds.

Annex

Preliminary comparison of the reporting approaches used by different organizations (updated in May 2015)

Table 2
Preliminary comparison of the reporting approaches used by different organizations (updated in May 2015)

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
Who submits data?	National government	National government, MDBs and multilateral funds	Reporting is by a central unit in each MDB	Individual development banks	Experts in over 40 countries based on corporate communications and reported transactions	For an assessment of other private data providers see Caruso, R and Jachnik R. 2014, Exploring Potential Data Sources for Estimating Private Climate Finance, *OECD Environment Working Papers*. No.69[1]
Who prepares the integrated report or compilation of information?	UNFCCC secretariat	OECD-DAC (activity level data is compiled and processed by OECD-DAC and published online, in addition OECD-DAC publishes statistical analysis and flyers)	Rotates among MDBs	IDFC secretariat and steering group, supported by consultants	Centralized unit in South Africa	For an example of a secretariat compilation see <http://unfccc.int/national_reports/annex_i_natcom/compilation_and_synthesis_reports/items/2736.php>

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
Who classifies the projects?	Countries	OECD-DAC members have the responsibility for applying the markers, which for most part is shared between project officers, sector experts and central statistical units (OECD 2014, forthcoming) and Bank Staff for MDB numbers	Bank staff in a central location	Bank staff	Experts in countries	In the case of MDBs, project staff classify the project and later it is checked centrally. Specific cases are discussed in the MDB working groups to provide a consensus view
Basis for reporting (1)	Mixture of projects, activities and sectors	Project (activity) level data	Project/component/subcomponent/activity level data	Project level data	Project/type of technology components as necessary	Parties to the Convention and IDFC staff use projects for classifying projects
Basis for reporting (2)	Not applicable	Objective or purpose (drawing on Rio marker definitions and eligibility criteria)	Activity list for mitigation projects, agreed among all MDBs for mitigation finance. For adaptation, project activities that are designed to address climate risk	Activity list	Activity list	
Sectors	Five mitigation, one adaptation and one other	There are over 30 sectors in the OECD-DAC Creditor Reporting System, and additional subsectors, with a few exceptions where Rio markers are not applied (i.e. general budget support, debt relief, etc.)	Seven mitigation sectors and seven adaptation sectors. Determined by criteria	Nine mitigation subcategories and five adaptation subcategories	Clean energy: renewable energy, energy efficiency, smart grid, power storage and other new energy technologies	Bloomberg counts: smaller distributed technologies by cross-checking with manufacturers' shipment data; energy efficiency technologies only where the cash

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
						flows are identifiable, investments in energy efficiency technology companies and certain larger energy efficiency projects; all smart grid and grid-scale power storage; electric vehicles charging networks, excluding investment by car companies, but not property renovation and not upgrading of windows or insulating of walls
Criteria for adaptation eligibility	None	Yes. Detailed eligibility criteria are defined, based on an objective where activity contains specific measures intended to reduce the vulnerability to the impacts of climate change and climate-related risks, and the objective is explicitly indicated in the activity documentation	Yes. Based on purpose, vulnerability context and activity linkage. Effort is made to distinguish projects contributing to climate change adaptation and a standard "good development" project	OECD-DAC broad definition and five subcategories (list of sector/type of projects)	Does not track flows to adaptation activities	Criteria differ among institutions. MDBs and IDFC are in the process of harmonizing their criteria (list of activities to be adopted)
Criteria for mitigation	None	Yes. Eligibility criteria is defined based on objectives,	Yes. Based on activity classified as related to	Yes. Based on avoiding or reducing emissions	Does not mark activities as	Criteria differ among

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
eligibility		meaning that if the activity contributes to (a) the mitigation of climate change by GHGs; (b) the protection and/or enhancement of GHG sinks and reservoirs; (c) the integration of climate change concerns with the recipient countries' development objectives; or (d) developing countries' efforts to meet their obligations under the Convention	climate change mitigation if it promotes "efforts to reduce or limit GHG emissions or enhance GHG sequestration, based on past experience and/or technical analysis (and in certain specific cases, such as hydro-power, solid waste, land-use projects expected emission reduction)"	and other factors	'climate change' mitigation	institutions. Significant efforts have been made by the MDBs and IDFC to harmonize their mitigation tracking methodologies. In 2015, they launched the "Common Principles for Climate Mitigation Finance Tracking" consisting of a set of common definitions and guidelines including the list of activities
Instruments	Grants, concessional loans, non-concessional loans, equity loans and other	Bilateral ODA loans, grants and other official flows	All instruments associated with the resources covered (grant, loan, guarantee, equity, performance-based instrument)	All	All project costs. Includes mergers and acquisitions and carbon markets, but limited to what is public. No longer keeps track of grants	BNEF notes that they may not obtain all members of a debt syndicate. Separate data sets are maintained for investments by MDBs. BNEF focuses on cash flows rather than framework loans

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
Basis for measurement	Committed pledged or provided	Commitments (disbursements also tracked but under review)	Commitments (the classification is ex-ante)	Commitments	Projects are tracked from the first proposal, permitted, financing secured and in construction, partially commissioned, fully commissioned, decommissioned or abandoned	BNEF no longer tracks pledges, disbursements or framework commitments
Dealing with overlaps between mitigation and adaptation		Allows for both adaptation/ mitigation markers to be applied to the same activity; activity level database and publications identify where activities target both objectives in order to avoid double counting	MDBs present adaptation and mitigation data in both categories and, apart from the 2011 report, these figures can be added to give an overall climate finance total	Partial reporting of combined mitigation and adaptation projects in both categories for transparent disclosure		Recognition of issue by OECD and MDB. Approaches differ. Some MDBs separately report finance with adaptation and mitigation – but in these cases they do not include it in their adaptation or mitigation figures – thus the totals can still be added
Granularity	Aggregated by country and sector, some project data provided	Activity level data, (average activity size less that USD 1 million)	Project component or subcomponent, or element or proportion. (For mitigation, the joint MDBs approach follows a granular approach aimed at disaggregating mitigation activities	Project level	All countries, but better data is available for larger countries where information is more transparent. Project level (large scale), aggregate level	Varies by institution. OECD data available online

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
			from non-mitigation activities. For adaptation, MDBs uses a context- and location-specific, conservative and granular approach. The approach is process-based and drills down into the subproject or project element level as appropriate)		(small scale)	
Types or sources of funds tracked	International sources (ODA, other official flows and other)	International sources (ODA and other official flows)	International sources (current: internal and external resources committed, planned: mobilized finance)	Domestic and international banks	Includes public (domestic and cross-border) and private (domestic and cross-border) finance	Differs among institutions
Type of support (e.g., asset finance, R&D, capacity-building) tracked	Adaptation, mitigation, core/general, climate specific and other	Specified	Not included in past reports, but could be in the future – the 2014 report includes two categories: "investment and technical assistance" and "policy-based instruments"	Reported in aggregated form	Asset finance, R&D, venture capital/private debt, corporate debt, public markets. No training or capacity-building	Generally not tracked
Recipient tracked	Country, region, project or programme	Country and delivery channels identified	Not clear except for, in 2014 on 2013 data, split by private and public sector first tier recipient/borrower in developing/emerging economies	Project sponsor (e.g. national or local governments, private or public sector companies or civil-society organizations)	Private and public sectors	
Reporting period	Every two years on a calendar basis	Calendar year	Fiscal year	Fiscal year	Annually every January, but subsequently revised. Also	Differs by institution

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
					available quarterly online	
Form of reporting guidance	Guidelines approved by the COP, including formats	Rio Markers Handbook. Also governed by OECD-DAC statistical reporting directives, addenda 1–3	Guidance manuals – no common reporting sheet that any MDB is obliged to use for internal data collection	Guidance, template and survey tool	Written guidelines for experts in different countries	Differences depend on the length of time the institution has been collecting and reporting in data. The "Common Principles for Climate Mitigation Finance Tracking" launched by the MDBs and IDFC include broad guidelines aimed at assisting both groups to track mitigation finance in a more harmonized way
Quality control procedures	Secretariat is responsible for all data management checks and controls	There are a series of automated checks carried out by the OECD secretariat when data is entered into the system to check for reporting errors, together with a Creditor Reporting System reporting checklist for reporters, providing a list of integrity checks designed to	Each MDB ensures its data is correct and complete, and in compliance with the joint MDBs approach	Each IDFC member bank carries out quality assurance procedures according to its internal standards. Consultant checks plausibility and works on analysis	Yes, but many small projects make this more challenging than larger projects such as wind farms or concentrated solar power plants. No formal error bars by country or	Differences depend on the length of time the institution has been collecting and reporting in data. The Common Principles launched by

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
		help reporters avoid inconsistencies[2]			technology, but they could be developed. Project level data is based on corporate communications, reported transactions and inputs from regional experts	MDBs and IDFC do not cover aspects related to their implementation, including quality control procedures which remain the sole responsibility of each institution and/or group
Review procedures	According to guidelines adopted by the COP	Members' reporting performance is reviewed annually by the OECD-DAC Secretariat and results shared with the OECD-DAC Working Party on Development Finance Statistics. This includes issues such as timeliness, consistency of aggregate versus activity reporting, accuracy of coding (sectors, types of ODA, channels i.e. bilateral versus multilateral), quality of descriptive information, etc. – e.g. the latest quality review Climate Adaptation Marker Quality Review, OECD-DAC, 2013)	No formal peer review procedure to date. However, the tracking and reporting approach taken by individual MDBs discussed by a working group which meets regularly. This involves discussing projects/case studies and improvements to the methodology	No peer-review procedure	Not formally, but used by wide variety of users and experts to identify gaps and promote quality control	MDBs also discuss commonalities and differences among climate finance tracking approaches with other non-MDB agencies and/or groups with the aim of better understanding, potential harmonization and comparability of data

Parameter	*UNFCCC*	*OECD-DAC*	*MDBs*	*IDFC*	*BNEF*	*Remarks*
Existing data system	No finance data system	OECD-DAC Creditor Reporting System – activity data publically available online and can be downloaded into MS Excel format	Data are in Excel files. There is no project-level data submission that could be accessed	Excel standard template applied	Internally managed data system	

Source: 2014 Biennial Assessment and Overview of Climate Finance Flows Report. Available at <http://unfccc.int/8034.php>.

Notes: (1) Available at <http://www.oecdilibrary.org/docserver/download/5jz15qwz4hs1.pdf?expires=1432899987&id=id&accname=guest&checksum=7D8711C36AC2433ED6F019114F962E94>; (2) For more detail on methodology/resources for OECD-DAC statistics, see <http://www.oecd.org/dac/stats/methodology.htm>.

Abbreviations: BNEF = Bloomberg New Energy Finance, COP = Conference of the Parties, GHG = greenhouse gas, IDFC = International Development Finance Club, MDBs = multilateral development banks, ODA = overseas developmental assistance, OECD-DAC = Development Assistance Committee of the Organisation for Economic Co-operation and Development, R&D = research and development.